



Leading the way in Telecommunications

March 2, 2006

USAC
Letter of Appeal
2000 L. St. NW
Suite 200
Washington, DC 20036

DOCKET FILE: COPY ORIGINAL

Reference: USAC letter dated January 6, 2006 re: GTC Telecom Corp., Filer #818720
CC Docket No. 96-45

Dear Sir/Madam:

GTC Telecom Corp. ("GTC") appeals the USAC decision that rejects the revised worksheets (see attached USAC decision letter):

2001 FCC Form 499-A – Reporting Revenues from 2000
2002 FCC Form 499-A – Reporting Revenues from 2001
2003 FCC Form 499-A – Reporting Revenues from 2002

GTC still maintains that revenues from rejected credit card payments were reported twice and that GTC should therefore be given credit for the amounts reported twice (see attached GTC Telecom letter dated January 7, 2005).

GTC is unsure what additional information USAC requires to support its position.

I would like to discuss this in further detail with the analyst that rejected the above worksheets.

Thank you for your attention to this matter. Should you have any further questions, I can be reached at (714) 549-7700.

Sincerely,

Gerald A. DeCiccio
CFO
GTC Telecom Corp.

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Universal Service Administrative Company

Administrator's Decision on Contributor Appeal

January 6, 2006

VIA CERTIFIED MAIL

GTC Telecom Corp.
Attn: Gerald A. DeCiccio
Chief Financial Officer
3151 Airway Ave., Suite P-3
Costa Mesa, CA 92626

Re: GTC Telecom Corp (Filer ID 818720)

Dear Sir:

GTC Telecom Corp (GTC) filed certain revised documentation with the Universal Service Administrative Company (USAC), in connection with the submission of annual Telecommunications Reporting Worksheet Forms 457 and 499-A (Worksheets) reporting revenue for the years 1999 through 2003. Pursuant to an order issued on December 9, 2004 by the Wireline Competition Bureau (WCB) of the Federal Communications Commission (FCC),¹ USAC has reviewed GTC's filing and supplemental supporting documentation.

For reasons explained further below, USAC accepts the following Worksheet:

2000 FCC Form 499A – Reporting Revenues from 1999

USAC rejects the following Worksheets:

2001 FCC Form 499A – Reporting Revenues from 2000
2002 FCC Form 499A – Reporting Revenues from 2001
2003 FCC Form 499A – Reporting Revenues from 2002

USAC will review the following Worksheet for consideration outside of the *Form 499-A Revision Order*, because it was timely filed:

¹ See *Federal-State Joint Board on Universal Service; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms; Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, CC Docket Nos. 96-45, 98-171, 97-21, Order, 20 FCC Rcd. 1012 (WCB rel. Dec. 9, 2004) (*Form 499-A Revision Order*).

2004 FCC Form 499A – Reporting Revenues from 2003

The FCC's *Form 499-A Order*, among other things, adopted a one-year deadline for revisions to Worksheets.² The *Form 499-A Order* also directed USAC to accept revised Worksheets from prior years, provided USAC received those revisions between the December 9, 2004, release date of the *Form 499-A Order* and its effective date, January 10, 2005 (the Open Period), or prior to the release date of the *Form 499-A Order* where USAC had not yet acted on the filing (pending revisions). The *Form 499-A Order* also required companies to demonstrate "good cause" for submitting the revision beyond the one-year revision window and permitted companies with pending revisions to supplement the record during the Open Period. To establish good cause, for each Worksheet revision submitted, a company must provide:

- A satisfactory explanation of the cause for any changes; and
- Supporting documentation reasonably sufficient to establish accuracy by showing how the revised information derives from corporate financial records.³

Explanation of Decision

GTC seeks to revise its 2000 through 2004 Forms 499-A, reporting revenue for 1999 through 2003. GTC maintains that during 2000, a third party telecommunications regulatory consulting firm prepared the original forms, and made errors. In addition, GTC alleges that in each of the years, certain revenues were double counted due to credit card rejections that required resubmission and that it has since implemented a new system that prevents such an error.

As support for the revenue reported on the 2000 Form 499-A, GTC provided USAC with a detailed monthly report of intrastate, interstate, and international revenue, as well as a summary of the double reported credit card transactions. The revenue reported on the detailed monthly report tied to the revenue provided on the revised Worksheet. However, for the following years, GTC provided only a summary of double reported credit card transactions. The summary does not sufficiently tie the revenue on the revised Worksheets which reported revenue after 2000 to corporate financial data, and therefore, does not meet the criteria set forth in the *Form 499-A Revision Order*.⁴

Decision of Administrator:

² FCC Forms 499-A and 457.

³ See *Form 499-A Order*, 20 FCC Rcd. at 1017-18, ¶ 13 ("USAC shall only revise contribution obligations to the extent that the carrier has provided accurate and legitimate reasons for filing late and for revising the obligation.").

⁴ See *id.* (requiring "complete documentation showing how the revised figures derive from corporate financial records") (citing FCC Form 499-A Instructions).

GTC Telecommunications, Inc.

January 6, 2006

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USAC accepts the following Worksheets:

2000 FCC Form 499A – Reporting Revenues from 1999

USAC rejects the following Worksheets:

2001 FCC Form 499A – Reporting Revenues from 2000

2002 FCC Form 499A – Reporting Revenues from 2001

2003 FCC Form 499A – Reporting Revenues from 2002

If you disagree with USAC's decision, you may file a further appeal with the FCC.
Detailed instructions for filing appeals are available at:

<http://www.universalservice.org/serviceprovider/contributorappeals.asp>

Sincerely,

USAC

Universal Service Administrative Company

cc: Cathy Carpino, FCC Wireline Competition Bureau
Hillary DeNigro, FCC Enforcement Bureau
Regina Dorsey, FCC Office of Managing Director

GTCTELECOM

January 7, 2005

Universal Service Administrative Company
ATTN: Form 499-A Revision Order
2000 L Street, N.W., Suite 200
Washington, DC 20036

Re: Revision of GTC Telecom Corp. Form 499A

To Whom It May Concern:

GTC Telecom Corp. ("GTC") hereby submits revised Form 499-A for the years 2000, 2001, 2002, 2003 & 2004 pursuant to the FCC's Order dated December 9, 2004. As you know, GTC is a publicly traded corporation. As such, it is governed by the rules and regulations of the Securities and Exchange Commission. Given the recent enactment of the Sarbanes-Oxley regulations, we are required to evaluate and assess our internal controls and procedures. As part of this process we have reviewed the data which was used to calculate our Universal Service Fund contributions ("Contributions"). During the course of our review we determined that certain errors occurred in the calculation of our Contribution levels.

During the year 2000, GTC used an outside telecommunications regulatory consulting firm to prepare our 499-A filings. In reviewing the data used in preparing the forms we determined that the consultant miscalculated GTC's telecommunications revenues.

In addition, GTC has determined that prior revenue numbers submitted to the USAC erroneously double counted certain billings. As part of GTC's normal billing procedure, we bill our customers on a monthly basis. Some of our customers elect to pay their bills via credit card. In charging our customers' credit cards, a certain number of such charges will be rejected by the processing company (i.e., Visa, MasterCard, Discovery or AMEX) for various reasons (human error, computer glitch, or credit card over balance, expired card). We then resubmit these rejected charges in an effort to collect on these bills. As a result of this, our system would double count these charges and thereby erroneously inflate our telecommunication billings and therefore our USF Contribution levels. GTC has recently migrated to a new billing system which corrects this problem and prompted our discovery of this issue.

Consequently, we are revising our prior year 499A Contribution reports as follows:

2000

For the 2000 499A, we originally reported \$899,583.04 in Interstate and International Revenue. Our revised amount is \$689,811. This delta was due to erroneously double counted billings as

described above in the amount of \$45,500 along with our outside consultant failing to subtract intra-state revenue (which is not subject to Federal USF contribution) of \$164,272. *See Exhibit A.*

2001

For the 2001 499A, we originally reported \$4,920,747.62 in Interstate Revenues and \$506,822.57 in International Revenues. Our revised amounts are: \$4,435,734 in Interstate Revenues and \$484,849 in International Revenues. The delta was due to erroneously double counted billings as described above in the amount of \$485,014 for Interstate Revenues and \$21,973 for International Revenues. *See Exhibit B*

2002

For the 2002 499A, we originally reported \$8,081,143 in Interstate Revenues and \$1,022,334 in International Revenues. Our revised amounts are: \$7,639,419 in Interstate Revenues and \$995,263 in International Revenues. The delta was due to erroneously double counted billings as described above in the amount of \$441,724 for Interstate Revenues and \$27,071 for International Revenues. *See Exhibit C*

2003

For the 2003 499A, we originally reported \$8,523,796 in Interstate Revenues and \$992,168 in International Revenues. Our revised amounts are: \$8,254,390 in Interstate Revenues and \$966,883 in International Revenues. The delta was due to erroneously double counted billings as described above in the amount of \$269,406 for Interstate Revenues and \$25,285 for International Revenues. *See Exhibit D*

2004

For the 2004 499A, we originally reported \$6,636,880 in Interstate Revenues and \$857,555 in International Revenues. Our revised amounts are: \$6,174,467 in Interstate Revenues and \$823,815 in International Revenues. The delta was due to erroneously double counted billings as described above in the amount of \$462,413 for Interstate Revenues and \$33,740 for International Revenues. *See Exhibit E*

We believe that the above meets the requirements of the FCC's Order dated December 9, 2004 for the revision of GTC's prior year 499A reports. Please contact me if you have any questions or comments regarding this issue.

Sincerely,



Gerald A. DeCiccio
Chief Financial Officer
GTC Telecom Corp.